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**Chair**

**Mr. Leon Benoit**

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• (1535)

[English]

**The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)):**  
Good afternoon, everyone.

We are here today to look at the World Trade Organization again, at the agriculture services and non-agriculture market access generally. Today we'll be focusing, obviously, on agriculture probably more than anything else.

We have as witnesses today from the Canadian Agri-Food Trade Alliance, Liam McCreery, who is president. From the Canadian Federation of Agriculture, we have Bob Friesen, who is president; and we also have with Bob, Marvin Shauf to answer some of the questions, I would assume, as required. We have, from the Dairy Farmers of Canada, Jacques Laforge, president; and from the Canadian Canola Growers Association, Rick White, who is the policy analyst.

You're allowed up to five minutes to make an opening statement and we'll get right to the questions after that. I'm looking forward very much to your presentations and to the questions.

We'll proceed in the order on the schedule, starting with Liam McCreery from CAFTA.

Go ahead.

**Mr. Liam McCreery (President, Canadian Agri-Food Trade Alliance):** Thank you, Mr. Chair.

My name is Liam McCreery. I am a farmer from southern Ontario. I grow corn, soybeans, and wheat, and I'm also president of the group called the Canadian Agri-Food Trade Alliance.

Mr. Chair, I provided your clerk with a submission, both in French and English, and asked that it be part of my presentation today and part of the record. Thank you very much.

As I say, I grow corn, soybeans, and wheat, and I'm part of the 91% of farmers who rely on international markets, either for markets or for setting the price I receive.

I want to talk just a bit about CAFTA. I think each of you has the submission in front of you, and if you would please follow through, I'll go through it within my allotted time.

If you look at our membership, we have a varied membership. We represent the Grain Growers of Canada, the Canadian Cattlemen's Association, the Canadian Canola Growers Association, and Alberta Pork and Sask Pork, but we're much more than just producers. We have representation from the entire value chain in agriculture.

Indeed, we do over \$50 billion in business annually and employ over 500,000 Canadians. And everyone in this room, I hope, knows how important trade is to our great country. Close to 41% of our gross domestic product does come from international trade.

On page 1, you can see it's broken down by province and we can each see how trade is important for our provinces.

Agriculture is the most distorted industry in the world. I'm going to quickly go through what it does to the members of the Canadian Agri-Food Trade Alliance.

If we look at grains and oilseeds and add up the tariffs and the subsidy distortions, it adds up to over \$2 billion a year. In canola alone, tariff escalation and discriminatory tariffs cost Canadians close to \$500 million a year. In beef, tariffs and TRQs cost us \$1 billion; in pork, \$800 million. I won't read the whole submission, because we are on such a tight timeline, but please go through those numbers and see how it materially affects Canadian producers and Canadian industry.

CAFTA's long-term goal is free trade in agriculture and agrifood. We should say that up front. That's why we exist as an organization: to promote trade liberalization, mostly through the WTO.

Let's talk about the Doha Round; that's what we're here to talk about today. It was launched back in November 2001. It was to establish fair and market-oriented trading systems through a program of fundamental reform, encompassing strengthened and strengthening rules, and to provide substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. Those are the goals of the WTO.

What has Canada's interaction been at the WTO so far? Well, we did sign on in 2001; we did support the framework in 2004, which built on the 2001 launch, but in November 2004 a motion was passed in the House that talked about no reductions in over-quota tariffs and no expansions in TRQs for sensitive products. That was clearly offside with the goals and objectives of the WTO and the Doha Round.

When our ministers participated in the ministerial conference in Hong Kong, the ministers from all countries had hoped to make progress on market access. Canada and its minister representatives slowed the whole process down by saying that we basically did not want any changes. We stood alone.

Presumably as directed by government, Canada's negotiating team recently stood alone in a negotiating session on sensitive products and caused consensus not to be reached. Basically Canada stood alone: it was 148 countries to 1. The WTO does work on consensus; in Geneva a couple of weeks ago, Canada clearly stopped a consensus from being formed.

There's a problem with sensitive products. If you do an analysis of sensitive products, the most sensitive products in the world are grains, grain products, and meats. Those are our two largest sectors and our two largest exports from this great country.

Clearly, those products need to have sensitive products addressed. Please read the submission; I'll skip to the bottom.

We do need a successful conclusion to the Doha development round. Canada urges this committee to direct the Government of Canada to clearly and publicly state its commitment to the Doha Round and to an ambitious outcome on all three pillars.

Then get engaged. It's absolutely ludicrous that this great country, the fourth-largest trading nation in agriculture and agrifood, continues to be offside with the rest of the world when we should be taking a leadership role.

Mr. Chair, that's a submission in five minutes. Thank you for the opportunity, sir.

• (1540)

**The Chair:** Thank you very much, Mr. McCreery. We appreciate that.

I just wanted to note for all of you presenting that we will have your written presentations ready. I understand five minutes isn't enough to make your case. I also know that most people here—probably all of the members here at this committee—have talked to you considerably about your positions, so we're not coming in without some idea.

We're looking forward then to the other presentations. Next is the Canadian Federation of Agriculture. Mr. Friesen, are you making the presentation?

**Mr. Bob Friesen (President, Canadian Federation of Agriculture):** Yes. Thank you very much, Mr. Chair.

Thank you for the invitation. It is a pleasure to be here to talk about the WTO. Certainly all of the Canadian Federation of Agriculture members would like to see a successful Doha Round, and we believe we need to continue to negotiate very strongly as a team to ensure that we can achieve the objectives we need to achieve for the entire agricultural industry across Canada.

Of course, our goals for this round of negotiation are to considerably improve market access for exporters, to continue to ensure that we can maintain orderly marketing systems such as supply management and the Canadian Wheat Board, to make sure we can increase our trade in value-added products, and simply to make sure we can develop and implement clear, enforceable trade rules in this next negotiation.

I'm very quickly going to run through the positive parts of the negotiation and those where we still have concerns when it comes to export competition.

Clearly it's good news that export subsidies will be eliminated. We'd like them to be eliminated immediately, but certainly it looks positive.

We're also looking positively at getting hopefully better disciplines in government export credit and food aid programs. The concern, of course, is that the rules will not be tight enough on government export programs and promotion programs and also that our Canadian Wheat Board continues to be pressured in the Doha Round. Whether you agree with the Canadian Wheat Board philosophically or not, that is a decision that should be made by farmers in Canada. We continue to support our negotiators on that front.

On domestic support, it looks positive that we will finally be able to get the U.S. to at least significantly reduce their amber expenditures. The concern we have is that they will simply move money around, into either a blue box or a green box. Of course, some of their green box programs are as trade distorting as any amber program. We would really like to see a re-definition of green box programs. We know our negotiators are working on that, and clearly we support them.

We also want to make sure our production insurance programs can be put into the green box as well, and we continue to push on that one. The concern there is on product-specific supports: they want to cap them based on historical spending. If that happens, the U.S. is going to be capped at some very high levels for some of their commodities, and Canada, because Canada historically hasn't provided much commodity-specific support, would be capped at a very low level. That would simply institutionalize that disparity.

We believe we can achieve significant market access. We want to see significant reductions of tariffs in the tariff reduction category. At the same time, we also have a sensitive product category that we want to make sure we can get enough of our supply management tariff lines into, to ensure that our import-sensitive industries aren't undermined through this negotiation.

A concern there is that the Europeans would like to, for example, put a sensitive product such as pork into the tariff reduction category. What we fear will then happen is that the tariff reduction category will not be as aggressive as we want it to be. They need to put their sensitive products into the sensitive product category as well, to make sure we use it for its intended purpose and to make sure that in fact the Europeans have to improve market access.

For example, I'm a turkey producer and a hog producer. Coming out of the Uruguay Round, as a turkey producer I had to give up 5% of our consumption in Canada for market access to the rest of the world. As a hog producer, I and the rest of the world got only 0.5% market access into Europe. That's a disparity that needs to be solved or changed as well.

In conclusion, Mr. Chair, I would like to emphasize one thing. That is that this negotiation does not have to be a tug of war between supply management and our exporters. As I said, I'm a turkey producer and a hog producer. I believe Minister Strahl and Minister Emerson have the tools they need to negotiate in such a way that there will be a win-win for everybody. I think we need to continue to push for that and support our negotiators, because they have to date done a very good job.

We also believe it's counterproductive to suggest that Canada should give in during the negotiation. We believe our negotiators should push right to the wall, and we shouldn't talk about what Canada is willing to give up, because this is a negotiation for the entire agricultural industry. We need to support our negotiators and to push right to the wall to get the best deal we possibly can for the entire agricultural industry in Canada.

While some people say that Canada is isolated with sensitive products, every other country has a sensitive product as well. This is about negotiating market access, this is about negotiating tariff reductions, this is about making sure that each country has the ability to put their sensitive products in the "sensitive product" category, so that those industries aren't undermined.

• (1545)

Mr. Chair, we continue to work closely with our negotiators and with our ministers to make sure, again, that we get the best deal we possibly can for the entire agricultural industry.

Thank you.

**The Chair:** Thank you very much, Mr. Friesen, from the Canadian Federation of Agriculture.

Now to Mr. Laforge from the Dairy Farmers of Canada. You have five minutes.

[*Translation*]

**Mr. Jacques Laforge (President, Dairy Farmers of Canada):** Thank you, Mr. Chairman.

As members of the CFA, we share Mr. Friesen's views. In that context, I would like to speak a bit more about the dairy industry.

Within the framework of the Doha round of negotiations, Canada wanted to reach an agreement with clear and specific rules that applied to everyone. However, after everything that happened since 1996, the Canadian dairy industry realized that that was not at all the case. At this point in negotiations, when you read the document Mr. Faulkner has just tabled on market access, the fairness of the rules raises more concerns than ever before.

The dairy industry has changed since 1996, during the first round of negotiations. The issue of butter oil and sugar imports and protein concentrates is still outstanding. It's a huge problem. By 2013, we are supposed to have eliminated all subsidized exports—even if they are not subsidized—because based on its interpretation of the rules, a panel has determined that our exports are indeed subsidized.

By 2013, when supposedly subsidized exports will have been eliminated and imports will have increased, the dairy industry will have lost the equivalent of a billion dollars per year in terms of markets or exports. These rules really don't mean very much within

the framework of WTO agreements. If there is a challenge, each party's interpretation will define the scope of negotiations. That makes no sense whatsoever.

[*English*]

With that, I think the dairy industry is kind of poor in trying to understand how we're going to conclude this negotiation in a fair manner. Originally, the Canadian position on agriculture was that we would give market access and we had to maintain over-quota tariff for supply management. As we speak right now, the cleaning up of market access, with everybody going up to a minimum of 5% and so on, is not in the cards at all. We're to the point where this negotiation will not be rules-based. It will not apply to each individual country and commodity the same way. We have to seriously stand our ground as far as this negotiation goes, because we're going to undermine all the supply management in Canada and we will not be giving anything to the export-oriented commodities, because they think they'll be gaining something. But again, for rules-based, they won't get anything. So we have to make a very conscientious analysis of where we are in this negotiation because we could be losing from all ends.

With that, Mr. Chairman, thank you.

• (1550)

**The Chair:** Thank you very much, Monsieur Laforge.

From the Canadian Canola Growers Association, Rick White, five minutes.

**Mr. Rick White (Policy Analyst, Canadian Canola Growers Association, Grain Growers of Canada):** Thank you, Mr. Chair. I will keep my comments quite short.

I represent the Canadian Canola Growers Association, and we are members of CAFTA. Liam has given a quick overview of CAFTA's position, and we wholeheartedly support that.

The Canadian Canola Growers Association represents about 60,000 growers across Canada from B.C., Alberta, Saskatchewan, Manitoba, and Ontario, and that covers 95% of the canola growers in Canada. So we are the national association representing those growers, specifically.

We believe strongly that there are significant opportunities for liberalized trade in this round of WTO negotiations, and it's critical that we get a good deal, an aggressive deal, on all three pillars.

Every year we produce, on average, about seven million tonnes of canola. Last year was a big year. We produced over nine million tonnes, and the farm gate value of that canola was about \$2 billion to \$2.5 billion for our growers. It's a significant and important cash crop for grains and oilseeds producers in Canada. It can make up anywhere from half to a third of a farmer's gross revenue in any given year.

It's a going concern out there, and it creates in the whole industry about \$11 billion in economic activity every single year. But we depend heavily on trade. About half our seed production is exported as seed. Of the other half, which we crush here in Canada, we consume about half—not even half—of that as oil in Canada. The other half of that oil is exported. Then of course we export meal, in addition to consuming some of that domestically.

The point is that canola is extremely heavily dependent on the international market, whether we're shipping it abroad or crushing it here at home. The price is set on the world market. And it doesn't matter where it goes; the law of one price holds. So any distortion in the international market for canola ends up hitting us here in Canada.

As I mentioned, the international marketplace is distorted by subsidies and tariffs, and these are costing us real dollars every single day. Estimates are that trade-distorting domestic subsidies cost Canada's grains and oilseeds sector about \$1.3 billion every year, and tariffs and quotas are costing us another \$1.2 billion, again, every year. And those estimates are from independent studies. One was done by Agriculture and Agri-Food Canada and the other was done by the George Morris Centre.

If you put that in a canola perspective, what is canola's share of that pain? On the domestic support and export issues, it's costing us about \$37 a tonne, so typically, if we produce about seven million tonnes, it costs us approximately \$260 million. And that's just on the domestic support pillar.

On the tariffs and quotas it's costing about \$77 for every tonne of canola. Multiply that by seven million tonnes and it's about \$540 million. What we are leaving on the table every single year, just from canola, is about \$800 million, and that's just one commodity in this country that relies on the export market. There are other examples for barley. There are other examples for wheat and flour, and so on.

That is a lot of money. I actually calculated this for what happens on my farm in terms of my own production. On the family farm that I'm part of, we typically harvest about 285 tonnes of canola every single year. Multiply that by the \$37, and that's \$10,500, just on domestic support issues, that it's costing me personally on my farm.

On the tariffs and quotas of \$77 a tonne, if you apply that to the 285 tonnes that I produce, it's \$22,000. The total bill on my particular farm is \$32,500, and I'm just one of 60,000.

So there is a tremendous opportunity here. I'm not here to say that we need to drive subsidies down to zero or that we're here to drive tariffs down to zero. I know that's not realistic, but what I am here to say is that surely to goodness, an aggressive round can bring some of that \$32,000 that's leaking out of my pockets every year because of the international distortions back to Canada.

So with that, I would like to turn it back to you, Mr. Chair. And thank you very much for the invitation to appear before your committee today.

• (1555)

**The Chair:** Thank you, Mr. White.

Thank you all for your presentations. We'll go directly to questioning now. From the official opposition Liberal Party, we will start with Mr. Maloney.

Mr. Maloney, you have seven minutes, please.

**Mr. John Maloney (Welland, Lib.):** Mr. Friesen, I have to comment that negotiators should go to the wall and that we should get the best deal we possibly can.

What is the best deal that we can possibly get? Do we have something out there that the agricultural community can actually

focus on and grasp? My concern is whether tariff reduction and market access are reconcilable.

**Mr. Bob Friesen:** A good deal for Canadian agriculture would be if we get significant improvement and profitable market access around the world for exporters. We believe we can do that, and at the same time do it in a way that doesn't undermine supply management, because supply management has proven to be more viable and stable in the agricultural industry, as a tremendous consumer of feed grains in Canada. So we believe that both of them can be done.

We also need to make sure that there is significant movement in subsidies around the world. Mr. White just said it: the \$1.3 billion a year, competing against high subsidies, has cost our grains and oilseeds sector. So we need significant movement there.

At the same time, we need to make sure we don't simply allow those countries to then move that money around. We would like to see restrictions on how that money can be moved around. We would also like to see a redefinition of green box programs, because as you know, the direct money that is paid to farmers in the U.S. is trade distorting, although defined as non-trade distorting at the WTO.

**Mr. John Maloney:** I certainly support supply management, but I'm having difficulty reconciling our continuing desire to gain market access, reduce tariffs, and still maintain supply management. Are they irreconcilable?

**Mr. Bob Friesen:** No, I don't think they are, simply because most other countries at the WTO have sensitive products as well.

In fact, I mentioned the EU's pork access earlier as an example. They have no intentions of providing better market access for pork. They know that their over-quota tariffs are high enough that they can reduce them significantly. They want to make sure they don't have to expand the 0.5% minimum market access that they provide on pork. So they will fight very hard to do exactly this.

It really has to do with different countries wanting to provide market access for their sensitive products in different ways. For example, Canada is willing to go to zero within quota tariffs. Some countries have very high in-quota tariffs, and in fact some of the countries prepared to expand their TRQs have high enough in-quota tariffs that there will be no better market access, as you know. Other countries are willing to say they would be prepared to reduce their over-quota tariffs, but you know these countries have enough room that they can reduce them without actually providing better market access.

In the past, Canada has shown that it is quite willing to give a clear 5% minimum market access without in-quota tariffs, and it is prepared to continue with those TRQ commitments. So while different countries want to provide market access in different ways, different countries suggest ways of improving market access that won't actually improve market access. For that reason, Canada isn't isolated in that regard, and in fact I think has been exemplary in the way it has suggested that market access for sensitive products should be improved. Canada has also been exemplary in suggesting that there should be aggressive tariff reductions in the tariff reduction category, and I believe it has shown a lot of leadership in the negotiations on domestic support.

**The Chair:** Mr. Maloney, Mr. McCreery has indicated he would like to answer that as well.

• (1600)

**Mr. John Maloney:** Yes, that's fine.

**The Chair:** Go ahead, Mr. McCreery.

**Mr. Liam McCreery:** Thank you, Mr. Chair, and thank you for the question, because it really cuts to the chase of what we're discussing today. The most sensitive products in the world are meat, grains, and grain products. Those are our two largest exports. That's where we're getting hurt most in international markets. Mr. Friesen is quite correct in saying most countries have sensitive products. The reality is most Canadian farmers want to export into those markets. So what's a successful round? We make some progress on sensitive products. We have a tariff reduction formula that actually bites and allows access to the markets and goes after those trade-distorting supports.

We've talked a bit about trade-distorting support in the context of what the Americans are doing, and it's a huge issue for Canadian farmers. Last year the Americans spent over \$10 billion to support their corn farmers, absolutely devastating all feed grain markets in the world, including Canadian barley and corn producers. We have to go after that.

We advocate having a product-specific cap to contain the American spending on each product. Last year, as I said, they spent over \$10 billion. The Americans have put a proposal on the table, and I don't have the exact number, but it's between \$1 billion and \$2 billion for their cap, cutting by 90% what they spent on corn subsidies last year.

These are huge issues, and you've cut to the chase. What you've put on the table, and what we should be discussing very clearly and openly, is the fact that Canadian exporters are exporting products that other countries consider sensitive. It's hurting us when we, Canada, go to the wall to stop any progress on sensitive products. It hurts our credibility in the negotiations when 148 countries say we are going to make some progress on sensitive products and one country, Canada, says no. It hurts our credibility in all negotiations. How can people look us in the eye and say, you guys are serious, when we want to go after export subsidies, when as a country we don't use very many?

**The Chair:** Mr. Maloney, just a little less than a minute.

**Mr. John Maloney:** I'm sorry, do you have a comment on that as well?

**Mr. Marvin Shauf (Second Vice-President, Canadian Federation of Agriculture):** Yes, I do, thank you. Following up on what Mr. McCreery just said, when you look at the domestic support currently provided by the United States—we'll take corn as the example he just used. The United States has said they will reduce their amber support, but they will have a fairly significant ability to continue to provide that.

They target five commodities very directly for most of their amber support.

The WTO position is they will reduce that substantially, but they want to have unlimited ability to continue to provide green support. They want to have some blue box support, and they want a peace clause that says you don't get to target us; you don't get to target the way we provide our green support. So you take the amber support as sufficient to tell producers what to grow. Then you use blue support and green support to help them do it in a similar fashion to what they currently do. You have the ability then to get market access for the Americans to continue to stuff subsidized product into those markets. And without a better strategy from a Canadian perspective, we didn't win.

We need, absolutely, to be able to win this round, because Canadian producers are as damaged as they can tolerate from this ongoing strategy of American subsidization. We're trying to compete with it, but without that same kind of protection. We've got to be better than what we have been.

**The Chair:** Thank you, Mr. Maloney.

To Monsieur Paquette for seven minutes.

[*Translation*]

**Mr. Pierre Paquette (Joliette, BQ):** Thank you, Mr. Chairman.

Thank you for your presentations. It may be easy to explain this subject, but it is not easy to deal with it politically. I've noticed that since the Conservatives were elected, there has been more and more talk of Canada's isolation at the WTO, which no doubt was also the case under the previous government. Why is there a sudden focus on Canada's isolation, in particular as regards the protection of supply management? I guess this is the argument of the proponents of that theory.

The minister, Mr. Chuck Strahl, made the same argument two or three times before the Standing Committee on Agriculture and Agri-Food. I wonder whether this state of isolation isn't due to bad management on Canada's part.

For instance, Australia, New Zealand and the United States are constantly attacking us on the issue of dairy products, and Canada has never replied that those countries have set up roadblocks to products entering their territory by invoking various arguments, including the lack of sanitary standards.

First, I wonder why people are suddenly publicly talking about the isolation of Canada, and, second, I wonder whether this was not the result of a bad strategy. I don't think Canada has really tried to explain what supply management is to other countries. I'm thinking of developing countries, for instance, who might be interested in having that type of system for themselves.

It's a question for every panellist.

● (1605)

[English]

**The Chair:** We'll start with either Mr. Laforge or Mr. Friesen, and then go to Mr. McCreery, and then kind of move it around.

[Translation]

**Mr. Jacques Laforge:** That's a good question.

It's not new. The previous government talked about Canada's isolation once in a while as well, at critical moments, when the negotiation of modalities was nearly concluded. But now we seem to have more elements which may allow us to reach an agreement. So it's not normal that we are saying that Canada is becoming increasingly isolated.

We don't talk about isolation when it comes to supply management, but only when it comes to potentially maintaining over-quota tariffs. Supply management has not been questioned. It's a mechanism which exists in Canada, in Europe and elsewhere.

What is important is that other countries must be allowed to export sensitive products which we need. For instance, the United States have cotton, sugar and milk, which are all deemed sensitive products. In Europe, there are many such products. Each country will have to choose a percentage. We want the percentage of negotiated tariff lines to include the five staples of supply management, and once that is achieved, we want to maintain over-quota tariffs. We are clearly saying to the government that not reducing over-quota tariffs does not mean that the supply management system will disintegrate in the long term.

**Mr. Pierre Paquette:** Of course, supply management will never be directly attacked, but it's one of the conditions for accepting supply management.

What percentage of tariff lines will be required for sensitive products if we are to protect the five staples?

**Mr. Jacques Laforge:** Based on calculations similar to those made by the Americans, the Europeans or the G10, the percentage of the Canadian tariff lines should be at least 7 or 8%. However, that might vary a bit depending on the method of calculation. When I make the calculation, I am fairly careful, but it should not be lower than that.

**Mr. Pierre Paquette:** Thank you.

[English]

**The Chair:** Mr. McCreery, would you like to respond as well?

**Mr. Liam McCreery:** Thank you for the question, Mr. Paquette.

We're talking about Canada being isolated, because on sensitive products we are isolated. It's clear that the sensitive products category is the toughest nut to crack. That's why the WTO set up a sensitive products category—to try to deal with politically tough issues. Canada has chosen to be absolutely isolated and to stop consensus, therefore not allowing us to move ahead on market access discussions.

We maintain that if we're not in the room, we can't protect anyone's interests. Clearly, the WTO process is one of building

consensus and working together, and if we continually are outside the room, we are not going to have anybody's interests looked after.

There is another potential that we should be talking about. These WTO talks are pretty tenuous. Whether or not we have success isn't known yet. We hope there is, but it's certainly not guaranteed. Canada has an opportunity to show leadership and take a leadership role in promoting the talks, keeping them moving ahead, instead of being on the outside, being *the* single country trying to slow them down and stop them. So I think as we come to crunch time, to short strokes in the negotiations, it's absolutely key that Canada not be isolated, and not only not be isolated, but instead actually take a leadership role. You can't represent anyone if you're not in the room.

**The Chair:** Thank you.

Mr. Friesen, go ahead, please.

**Mr. Bob Friesen:** Thank you, Mr. Chair. It's rather interesting that when Canada digs in its heels because it wants the best deal for Canadian agriculture, it's considered isolated. Other countries are doing exactly the same thing. They dig in their heels as well when they want a deal that's best for agriculture. Again, I stress the point that Canada's negotiators should go right to the wall and Canada should not start talking publicly about giving in. This is a negotiation, and during a negotiation you don't show your cards that way.

Secondly, Canada should not imply it will sign the deal regardless. That's a decision that is made on the last day of the negotiation. While the negotiation is going on, it should negotiate with strength.

Let me give you a quick example of how complicated the dynamics are. I mentioned earlier that I'm a turkey and a hog producer. Let's take, for example, the market access for pork into the EU. We would be better off if the EU would put pork into the sensitive product category.

Canada's position is that there should be no over-quota tariff reductions. The fact of the matter is, as a hog producer, I don't care if the EU leaves their over-quota tariffs as high as they want. What I want is free trade inside a TRQ that is fair and reflects at least the spirit of the Uruguay Round. That's what I need for market access as a hog producer.

If that happens, if they put it into the sensitive product category.... They've already promised in the framework text of July 2004 that they would expand their TRQs, so they would have to expand their pork TRQ. They could leave their over-quota tariff where they have it and at the same time that would help our supply management say we make TRQ commitments for market access but we can leave our over-quota tariffs where they are.

It's a negotiating stance that works both for supply management and, in this case, for pork exporters. So we believe they should continue to negotiate tough and get the best deal for Canadian agriculture they possibly can.

● (1610)

**The Chair:** Merci, Monsieur Paquette.

To Monsieur Lemieux, seven minutes.



**Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC):** Thank you, Mr. Chair.

Thank you very much for your presentations today.

I'm the MP for Glengarry—Prescott—Russell, which is close to Ottawa. It's a rural riding. There's lots of agriculture in that riding and lots of different commodity sectors are represented. There is beef, pork, crops like canola, but there's no doubt that the majority of farmers are supply management farmers—milk, eggs, chicken, and turkey.

I see real advantages to supply management. One of them is a very stable, secure food supply. It's supported by the consumer. I don't think many consumers have an issue with supply managed commodities. It's not subsidized and it offers great stability to farmers. As we ride through this agricultural crisis, we see that is true for those who have supply managed commodities. If there's any part of their farm that's stable, it's that part of their farm that's stabilizing the rest of their farm.

The Canadian government, as you know, has taken a strong position on supply management, and I think that's good. It's certainly good for the farmers in my riding. I feel like, yes, we've gone to the wall. There was a vote. As you know, Canada was the only one holding the line on supply management.

To get to my question, I do have a concern. My concern is that we may be removing ourselves from the negotiating table. I worry about that also from a supply management point of view, meaning that to protect supply management we need to be at the table. Otherwise, decisions will be made without our input.

I hear the point for exports, that we need to be at the table, but I'm also worried about the supply managed commodities that we need to be at the table for. Otherwise, how do we protect our interests? That's a concern. Or how do we promote our interests if we're away from the table? So my concern is if our voice is diminished, it might be bad for supply management and it might be bad for the export-type of agricultural commodities.

Perhaps I could put the question to Mr. Friesen and then Mr. Laforge. Could you comment on what you think the impact would be, or what the impact is, if we are not at the negotiating table because of certain positions we might take? Then the rest of you, please comment afterwards.

**Mr. Bob Friesen:** I agree with you 100%. Canada has to be at the negotiating table. We have to be there to show leadership. Our negotiators have shown a lot of leadership in the past. We have to show leadership with the ideas we have for improving market access, and we really do need significant, profitable market access improvement for exporters. We need to be at the negotiating table to make sure we can give other countries the ideas we have for making market access commitments in the sensitive product category.

As I said to our negotiators some time ago, farmers will not judge them for being in the negotiating room. Farmers will judge them for the deal that Canada comes out with. So I believe we have to be at the negotiating table.

•(1615)

**The Chair:** Mr. Laforge.

**Mr. Jacques Laforge:** Yes. In addition, I think we might be using the same terminology, but we don't have the same definition.

We have a Canadian negotiator. I don't see him sitting in Ottawa. He's in Geneva, and I presume he's doing what he's supposed to do from a negotiating perspective.

It's the government's choice on the strategy they decide to use to conclude the deal. I don't expect the Canadian government to be away from the table when the final decisions are made. If that's the intention, then I'm not sure what we'd be doing at the WTO from a country perspective. As Bob said, it's their responsibility to get the best deal. They know what's at stake, and they need to deliver on it now.

I'm not trying to play politics, but this is a new, fresh government with probably less background experience, and they've been dropped into this situation. If you look at the two previous processes, when the text came out and there were things that were not acceptable for supply management, they were able to withdraw the wording that we didn't want, as far as sensitive products or reductions in tariffs were concerned, through negotiation and hard-fought battles.

In conclusion, I talked earlier about cleaning up market access. It doesn't make sense for Canada to have clean market access with a very small in-quota tariff, while Europe has market access with a much higher in-quota tariff. It's the kind of cleaning up that we're talking about.

If Canada has already cleaned up a lot of this stuff with other countries in this negotiation, I would argue that we will reduce the in-quota tariff in Canada. We could even eliminate it to zero for supply management commodities. Ask Europe to do the same thing and ask other countries to do the same thing for the in-quota tariff. That's the leverage.

**The Chair:** Mr. Laforge, there are two other gentlemen here who have asked to respond.

I'm going to have to ask you to keep it to about a minute and a half for each response. I know that's tough.

Mr. McCreery, and then Mr. White.

**Mr. Liam McCreery:** Thank you for the question.

I took economics at the University of Guelph, and I absolutely love numbers. You made a statement that I think I heard correctly, but it's hard in this room because the acoustics aren't the best. You said that the majority of farmers are supply management.

**Mr. Pierre Lemieux:** It's only in my riding.

**Mr. Liam McCreery:** Over 91% of farmers in Canada are not supply management.

If we decided not to go into international markets, this is what it would do to Canadian farms. We would have to set aside close to 28 million acres of land, because we wouldn't need it. We'd have to tell 36,000 grains and oilseed producers to go away and do something else. We'd have to tell 37,000 beef producers that we don't need them any more. We'd have to tell over 7,000 pork producers that we don't need them any more and to go away and do something else.

Clearly, we need to address the distortions in the markets. I'm going to challenge you to try to show leadership. Canada can be at the forefront in taking on the subsidies that the Americans have in place, the tariffs that the Europeans have in place, and the tariffs that our friends in Asia have in place, and we can have fair access.

The average agricultural tariff is over 60%; the average industrial tariff is 4%. The marketplace that we internationally compete in is simply not fair. OECD countries spend close to \$300 billion in trade-distorting support that materially has an impact on producers from coast to coast in this great country.

**The Chair:** Thank you.

Mr. White.

**Mr. Rick White:** Thank you for the question. It's a tough one, but it's a good one.

It's very important that Canada is at the table on these negotiations, particularly on sensitive products, which is where the problems are. It's not enough to just be at the table. We have to be there as a country, with credible views and ideas on going forward. My concern right now is that we've lost credibility.

In terms of the Canadian government's position on sensitive products, I think the July 2004 framework was very clear in saying that all products, including sensitive products, would experience substantial increases in market access. Every other country signed on to that document, and I believe they're living by it. Canada signed on to that document and has stepped back from it. I think we are very much isolated at this point with the position we've taken.

It is very important that the market access issue is resolved. It's holding up the other negotiations, and there is a lot more to these negotiations than sensitive products. There are domestic support issues and export competition issues. Until we resolve this issue, we can't get at the big dollars and the big opportunities that are there for our exporters.

On sensitive products, to use a canola-specific example, India is one of the world's largest consumers of vegetable oil in the world. We cannot get into that market with our highest high-quality canola oil product. We are facing a 75% tariff going into the market, and we can't get over it. We know that India will declare vegetable oil as sensitive; they told us that. If we get nothing on sensitive products, we can kiss India goodbye. It's a huge opportunity that we would miss.

• (1620)

**The Chair:** Thank you, Mr. White.

Mr. Lemieux, your time is up.

Mr. Shauf has asked for a very short opportunity to respond.

**Mr. Marvin Shauf:** Thank you.

I think there are three points. I think Canada still is at the table. Canada is very instrumental and has shown a great deal of leadership in and around the WTO talks in bilateral country meetings, in those kinds of discussions. Canada continues to exert a great deal of influence and is highly respected in this process. So we're not out of it; we are involved in it.

Maybe there is some disagreement on this issue, but at the end of the day, we need access to very profitable markets. We don't just need philosophic access; we need real access to be able to bring home some money.

If we don't rationalize the domestic support in conjunction with the market access, we still haven't won for Canada.

**The Chair:** Thank you.

Now to the New Democratic Party, Mr. Atamanenko.

**Mr. Alex Atamanenko (British Columbia Southern Interior, NDP):** Thank you very much.

And thanks for being here, gentlemen.

All of a sudden I may have to jump up and leave because I have to talk in the House, actually on this issue, but hopefully I'll have a chance to ask my question.

Maybe I'll ask Mr. Friesen to respond and the rest of you could respond also.

Concerning market access and supply management, the impression I am getting is that we cannot have further access to markets unless we do something to our supply management, and specifically unless we increase our TRQs. That's the assumption I'm hearing.

This was the message we got in a letter from the western agriculture ministers that was sent to our minister. And I'd like a comment on that letter, by the way, if I can.

Right now our TRQs in the poultry industry, in the turkey and chicken industries, are 5%. Is it my understanding that CAFTA or others, or the ministers, would like us to increase that by 5% more so that we can get access for grains and oilseeds? Or should we be going after the European Union, for example, which now has a 0.5% TRQ, and asking them to come up to our level playing field so that TRQs are the same everywhere, before we even think of increasing the TRQs?

My question is this. Does market access then mean being more flexible on our current TRQs, or should we be working with the European Union to get them to bring them up to the standard agreed upon in the Uruguay Round?

And also, we know the United States and the European Union heavily subsidize agriculture, and we're trying to get those tariffs down. By compromising our supply management, does that necessarily mean we will get better access to those markets?

I guess I'll throw in one more question in case I have to go. Could we not generate more market in Canada with the whole biodiesel... and just take some pressure off the export market?

I'll stop there. Hopefully I didn't confuse you too much.

**The Chair:** Thank you.

Did you direct the questions to one individual?

**Mr. Alex Atamanenko:** Initially to Mr. Friesen, and then to anybody else who would like to...

**The Chair:** Mr. Friesen, go ahead.

**Mr. Bob Friesen:** Thank you, Mr. Chair.

First of all, even if Canada would get up tomorrow and announce that they were giving up supply management, it wouldn't give them any more during these negotiations, because as I said earlier, countries are negotiating for the best interests of their own agricultural industry and Canada needs to continue to do exactly that.

When it comes to TRQs we do know that our negotiators introduced the idea of TRQ commitments to a common end point and that idea seems to have fallen off the table as well. So there clearly is no commitment from other countries at all that they want to build equity or make this deal equitable when it comes to, say, TRQ commitments. We certainly need a commitment from other countries that they are prepared to go to a common end point when it comes to making TRQ commitments.

• (1625)

**The Chair:** Thank you, Mr. Friesen.

Mr. McCreery.

**Mr. Liam McCreery:** I'm just going to go back to the Doha mandate. Part of the Doha mandate is substantial improvements in market access, and clearly, for exporters who face huge tariffs, we need this addressed on our behalf.

The goal of the WTO is trade liberalization. That is the reality of it, and that is very, very positive for Canadians because this country is so dependent on international trade.

**The Chair:** Mr. Laforge.

**Mr. Jacques Laforge:** I have just a few more comments on Bob's point. As far as market access is concerned, if I look at hatching eggs, they're up to 20% or 21%...that they give market access. Dairy is around 6%. That is besides all the other imports of butter oil, sugar blends, and milk protein concentrates. Turkey is 5%, and poultry, meaning chicken, is even higher than that, at 7.5%.

What we're saying is we're tired of giving while everybody is minimizing. This is not a fair way to deal. Let's clean it up. Let's go up to the same level from a consumption perspective and then we'll see what we have and the kind of trade we have. That's the concept we're toying with.

**The Chair:** Mr. White, did you want to respond? Go ahead, please.

**Mr. Rick White:** Yes, just quickly.

Our views are pretty well known. We have to get these tariffs down, not up. That's the bottom line with us. We can all come to a commonality going down, possibly, if everybody comes down, down, down, as opposed to people coming up to a higher common denominator. That's going in the wrong direction.

Responding to your question about biodiesel and whether it will help, canola oil is priced alongside soybean oil and palm oil, and all around the world veg oils in general are based on a world market.

Biodiesel production in Canada will allow us to sell to a different market for the same price. We still have to tackle the issues of trade-distorting practices in the world market to enable the world price of veg oil in general across the board to come up.

Biodiesel will help, but it won't help very much in and of itself. The law of one price holds, and a biodiesel producer will not pay one cent more than a food market offshore.

**The Chair:** Thank you.

You have about one minute left.

**Mr. Alex Atamanenko:** Finally, it's my understanding, then, that we can gain market access only by compromising or changing our supply management system. Is there no other way that we can gain more market access and bring those other subsidies down, other than fooling around with our current supply management system, just to be blunt?

Mr. McCreery.

**Mr. Liam McCreery:** The WTO is about trade liberalization and tariffs coming down, and every commodity will have to adjust to the new rules of the game.

Let's put it in perspective from my point of view. I grow corn, soybeans, and wheat in southern Ontario. I sit about 250 kilometres away from the American border. The United States subsidizes their grains and oilseeds sector to the tune of \$15 billion. That product comes across into Canada with zero tariff: no over-quota, no under-quota, no peaks, no caps, nothing—zero percent. That's what I compete against on my farm in southern Ontario.

So when you talk about a common end point, the goal of the WTO is eventually to have zero tariffs. That's the common end point.

**The Chair:** Thank you, Mr. Atamanenko. Thanks for coming to our committee. I've enjoyed having you here.

Now to the five-minute round, starting with the official opposition, the Liberals, Mr. Temelkovski.

**Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.):** Thank you very much, Mr. Chair, and thanks to the presenters.

I had a meeting with the dairy farmers in my riding recently and they were informing me about how difficult their job has become, especially with summer coming and ice cream being so popular. They tend to think that not all of the problems are on the trade issue; there are also internal problems, in terms of labelling and identifying ingredients in products.

Can you give us a little bit more on that?

• (1630)

**The Chair:** Who is the question directed to?

**Mr. Lui Temelkovski:** Mr. Laforge, I believe—the dairy group.

**Mr. Jacques Laforge:** As far as the dairy issue is concerned, there are quite a lot of internal issues. There are import issues also, but I think you were referring to the internal issues.

There has been a lot of dialogue with the Minister of Agriculture, Minister Strahl, and there's been a lot of dialogue between the processing and the producer sides of the industry in the last two months. There has been a table set up for the producers and processors to sit down and negotiate to resolve some of those issues. We all committed to that. It starts in the first week of July, when we're going to be looking at some of these issues.

The minister won't be involved throughout the whole meeting, but at the end of those negotiations the minister will take time to sit down with us, with both sides together, to see what we have accomplished and look at all these domestic issues.

They've been dragging for awhile, and we're trying to address them. They're basically around compositional standards, labelling, and the use of dairy ingredients and milk in dairy products.

**Mr. Lui Temelkovski:** Is it also true that most of these ingredients come from across the border? Again, I go back specifically to ice cream. Over 70% of the ingredients used come from the States and are therefore cutting the availability of Canadian dairy.

**Mr. Jacques Laforge:** We could provide you with very precise information on that, but when you talk about ice cream it's one issue, and imported milk protein concentrate is more cheese-related, so the two are not together. Imports on ice cream are more the butter oil-sugar blend that they import in bypassing the tariff line and replacing butter or cream, which really affects the revenue of producers. There's nothing we can do about this. It has been going on for nine to ten years now and has never been addressed. We've lost over 60% of the ice cream market from a domestic perspective. We're still looking at how to resolve that, but once it's lost, it's lost.

On the milk protein side, there have been tremendous differences of opinion on what you're able to use in the making of cheese, like raw milk, and what kinds of ingredients are legal and not legal. We also have two acts, the federal drug act and the CAPA act, which contradict themselves. This is what the industry has to come up with, in terms of an agreement on both sides, on how to resolve these issues.

**Mr. Lui Temelkovski:** Moving to Mr. Friesen, could you maybe give us some sort of definition of what you would define as a win-win for us when we're negotiating as well as pushing to the wall? These are fairly sexy words, but I'd be interested in finding out from you a little bit more on this.

**The Chair:** Mr. Friesen, you have one minute to answer.

**Mr. Bob Friesen:** Thank you.

Win-win would be significant market access improvement for exporters, profitable market access, and market access that makes a real difference. A win-win deal is one that would ensure that supply management in Canada is recognized for the transparent market access commitments that have been made, and it would be a deal that doesn't undermine our ability to maintain supply management as well as other orderly marketing structures.

On domestic support, this is a very important issue with regard to market access as well as with regard to it costing our industries a lot

of money to compete against subsidies in other countries and with regard to achieving equity when it comes to domestic support. And here I go again to the example of product-specific, where a country like the U.S. will be capped at a very high level, whereas Canada disciplined itself, didn't flow a lot commodity-specific support, and they will be capped down here. So we need equity there as well.

• (1635)

**The Chair:** Thank you.

Now to the Bloc, Monsieur André, five minutes.

[*Translation*]

**Mr. Guy André (Berthier—Maskinongé, BQ):** Welcome to all.

First, I would like to point out how important your work is. The Doha round of negotiations is important and difficult. On the one hand, we want to preserve our agricultural market, and on the other hand, we want to export more of our products into other markets. I think that each country is more or less in the same situation, because each country has its own sensitive products and wants to export more while maintaining their domestic systems.

As all of you said, when we compare European and American farm subsidies with Canadian ones, it's obvious that we are at a clear disadvantage. We want to protect our supply management system at any cost because it is important for our own agricultural sector. We want to maintain a certain degree of food autonomy. It's all very well and good to sing the praises of global trade, but we must nevertheless maintain a certain degree of protection of our own food supply and not export it all beyond our borders. So it's not an easy situation. And that is why the Doha round of negotiations is difficult.

What, in your opinion, should we be willing to let go? In the course of negotiations, it's all a matter of give and take. That's what negotiations are all about. So what should we give and what should we take? What is it that each of you has to do in your respective sectors in the course of these negotiations? You can all answer in turn.

**Mr. Jacques Laforge:** I can answer first and can tell you what we are willing to give and what we have already lost in the dairy sector. I've already told you what we have lost. For instance, as I mentioned a little earlier, we are willing to reduce the applicable tariff rate within the quota limit to zero for all countries. We hope that all the other countries will follow suit, including Europe, Norway and Japan. As we've said in the past, this we are willing to do.

**Mr. Guy André:** But that would not apply to sensitive products.

**Mr. Jacques Laforge:** Yes, it would also apply to sensitive products. I'm talking about the applicable tariff rate within the limit of the quota, but not regarding the off-quota tariff rates. In other countries, the rate is fairly high, but they are not bringing it down and they are not even talking about it right now.

We know that subsidized exports will be phased out by 2013. This represents a decrease in production between 2 and 4% for the dairy industry. We appeared before a panel with the United States, and this panel said that the domestic price was different from the export price and that this meant that exports were therefore subsidized. We were told to eliminate between 2 and 4% of our production. I believe that is enough. We know that we have a 5 or 6% access to the market, and there are other countries, such as the United States, which are at 2.5%. I'm just telling you what we are willing to give, but we do not want to give anymore because we have already done enough.

[English]

**The Chair:** Mr. White.

**Mr. Rick White:** Thank you.

That's a good question. Thank you for that.

The way I look at this is that I'm not here to express who should win or who should lose, or who should give or who should take. Those are all political decisions. I'm here today to express exactly how much is on the table here, according to the association I represent—and Liam has done the same. It's millions and millions and millions of dollars that we are losing in opportunity every year—not just opportunity, but real costs in terms of subsidized product depressing our prices. So there is a very real impact that's hitting us every day.

The question you're asking is a political one, but all I can do is express to you the importance of this to 91% of the agriculture that doesn't rely on a domestic system. So all we can do is provide you with all the information we have, so that you can make the right political decisions for us in the negotiations.

• (1640)

**The Chair:** Very briefly, Mr. Friesen.

**Mr. Bob Friesen:** Thank you.

I don't think we should talk about what we're willing to give up; that undermines our negotiators. I think they have to continue to fight to the wall, and the decision, again, will have to be made on the last day.

I can tell you what I'm afraid we might not achieve. I'm afraid we might not achieve the right rules for domestic support. I'm afraid we're going to lose *de minimis*, which was an exemption for countries that discipline their domestic support. I'm afraid there may not be enough equity when it comes to commodity-specific caps. I'm afraid that we might not get enough tariff reduction in the tariff reduction category to give us real, good profitable market access, and I'm also afraid that we're not going to get other countries to move their TRQs in the direction they should already have moved them in the Uruguay Round.

So we have many concerns about not being able to achieve what we want, but again, we have to continue to negotiate as smartly as we possibly can.

**The Chair:** Thank you.

To Mr. Menzies, for five minutes.

**Mr. Ted Menzies (MacLeod, CPC):** Thank you, Mr. Chairman.

I guess I will open by citing a statement by Pascal Lamy the other day that Canada has lost its ability to bridge. I find that very troubling. Canada used to play a very active role in WTO negotiations, and prior to them as well. I'm concerned about this. As I've stated in the last committee meetings here, the WTO has a voluntary membership, with 149 members—and getting larger. This is why we are studying this process, because if it fails—if all of a sudden we're down to 148, 147, and these numbers start dropping off—we lose the benefits of protecting any sector in this country, more so than even agriculture. So I'm very concerned about our future.

So the question I'm going to throw out... It's very important because it impacts agriculture. But not only that, I've talked to the CCC, the Canadian Manufacturers & Exporters, who are all very concerned about this potential failure. And it's all pivoting on agriculture, so it's so important that we get a deal. If Canada isolates itself from this modality phase, how do we reinsert ourselves into the next process, or are we totally isolated and have we lost that opportunity? We've lost the opportunity to gain market access. We've lost the opportunity in this multilateral agreement to defend any industry in this country.

I'd like some comments on that, please.

**The Chair:** Is your question directed to anyone first?

**Mr. Ted Menzies:** Whoever wants to jump in.

**The Chair:** Mr. McCreery.

**Mr. Liam McCreery:** Thank you, Mr. Chair, and thank you, Mr. Menzies, for that question.

Again, if we do not get a deal, there is no status quo. Last year, the Americans spent \$15 billion in trade-distorting support for the grains and oilseeds sector. We saw what that did to the feed industry in Canada; it was absolutely devastated. They can increase that spending by \$4 billion next year and be within the rules of the WTO.

Our friends in Japan, which is an excellent premium market for our beef, can increase their tariffs from I think it's 37.5% to 50% overnight, without any notification. They can just say the tariffs are going to go up.

That reasoning echoes across all members of the WTO. They can increase tariffs and increase subsidies under the current regime that we've agreed to as a country under the Uruguay Round. If we do not get an agreement, things will get worse for Canadian agriculture—full stop.

I'm going to cheat, Mr. Chair, and try to answer the previous question.

My fear is that we will not get an agreement, that we will not tackle what the Americans, the Europeans, and the Asians are doing with subsidies and tariffs. The richest of the rich will continue to distort markets and continue to hurt producers in Canada.

And you're right. It will affect not only agriculture but every industry in Canada.

People will maybe put forth that bilaterals and regionals are the way to go, and we should always pursue those, but there is no other mechanism then to go after the trade-distorting support, other than the WTO. Bilaterals are notorious for leaving out agriculture, and that hurts us.

I had an opportunity to meet with the head of FTAs for Japan last week. We had a little side conversation. He said, "Well, Liam, you have to understand that agriculture is sensitive." I said, "Well, if I were the Canadian negotiator, I'd just say cars are sensitive and you can't come into our market." It's a two-way street.

You're right. It affects all industry.

Thanks, Mr. Chair.

• (1645)

**The Chair:** Mr. Laforge, we have about a minute left.

**Mr. Jacques Laforge:** I think Mr. Menzies' question is more one of perception of where we are than how people are actually viewing us.

If we go to Geneva, I think the negotiators who are there are still viewed as very credible people and have influenced this negotiation a lot. I don't think that's going to go away overnight. I think every country right now is almost in the same position as Canada.

We're down to the last stretch and we have key areas of concern. Those are all around market access and sensitive products, and I think everybody is going to play tougher. We just have to realize that we need to be smart and handle it in the best manner possible. I think that's a responsibility of the government, to assure that takes place.

**Mr. Bob Friesen:** I'll get Mr. Shauf to answer that.

**The Chair:** Okay, a very short response, Mr. Shauf.

**Mr. Marvin Shauf:** Thank you.

Just to follow up, I think Canada is still very clearly involved, and Canada is working for a good deal for Canada. That's important, because if you accept a bad deal, you've accepted that other countries can do this to you for a period of time. There's some risk in not getting a deal, but there's a lot of risk in accepting a bad deal.

Canada does need to work for that good deal, does need to stay there, does need to be very influential. At the end of it all, we need to have the deal that has the ability to bring some money home. That means all of the pillars, all of the trade issues, need to be kept in context with each other.

**The Chair:** Mr. White, I see that you want to give a short answer as well.

**Mr. Rick White:** Yes, I'll keep it short.

Thank you, Mr. Menzies, for the question.

I think we learned a lot in the Uruguay Round about what happens when Canada is not there when it should be. We particularly experienced that with canola, for example. Soybeans and products have substantial tariff advantages in many of our export markets that we compete head to head with them against, and it's simply because we weren't there in a big way to influence the process.

India has a 45% tariff on soybean oil and a 75% tariff on canola oil...just because.

As another example, Korea's tariff on soybean oil is 5%; however, their canola oil tariff is at 36%.

The issue is non-tariff parity. Soybeans were there, particularly from the U.S., and it's because they were there and pushed it all the way through.

If we exclude ourselves from the process now, we are in really big trouble when it comes to doing the detailed schedule exchange, because we will get beat up again, just like we did in the last round, if we're not there now. We have to set the stage for the next detailed negotiations on an exchange of schedules. We have to be there now.

**The Chair:** Thank you, Mr. Menzies and everyone, for your answers.

Ms. Chow, for five minutes.

**Ms. Olivia Chow (Trinity—Spadina, NDP):** I don't need it.

**The Chair:** Okay.

Then we'll go to the next round, to Monsieur LeBlanc, from the Liberals.

[*Translation*]

**Hon. Dominic LeBlanc (Beauséjour, Lib.):** Thank you, Mr. Chairman.

I would like to welcome the witnesses. The last hour was interesting. It's obvious that not everyone shares the same opinion, which is what makes this discussion interesting. I greatly appreciated hearing what was said.

I have a fairly simple question, and perhaps Mr. Laforge can answer, and Mr. Friesen might want to add a few words as well.

In my riding in New Brunswick, there are dairy producers. On several occasions, I have met with members of your association and I believe we must protect and promote our supply management system. However, I have many concerns and I believe that many of you do so as well for very good reasons.

However, there is a bit of confusion, Mr. Laforge. Industry and consumers might not be that familiar with the system of supply management. Can you explain to us in simple terms what the advantages of supply management are and how the system benefits producers and consumers? We could use your explanations when we communicate with our voters.

• (1650)

**Mr. Jacques Laforge:** I will give you a very simple answer, Mr. LeBlanc.

There has to be stability throughout the entire chain, so that a producer can produce his production and generate enough income, so that the processor has a guaranteed supply of milk, and so that retail stores and consumers pay a reasonable price in comparison with American dairy products, for instance. That way, everyone comes out ahead, from the producer to the consumer.

That would be my very simple answer to you. If there is not enough stability, someone somewhere within that chain will pay.

**Hon. Dominic LeBlanc:** Thank you very much, Mr. Laforge. I share your opinion.

[*English*]

Mr. Chairman, my colleague, Mr. Easter, might have a few questions in the remaining time.

**The Chair:** Mr. Easter, you have about two and a half minutes.

**Hon. Wayne Easter (Malpeque, Lib.):** That's a lot of time, thanks.

I did have the opportunity to read the CFA presentation, Mr. Chair, so my questions will mainly be directed to them. If they answered as I was debating in the House, then just say so.

On the question of market access, there is certainly an opinion out there, which is being portrayed by those who oppose the supply management system, that our supply management system is very protectionist. Dairy is a prime example. We allow imports of 6%, yet the U.S. only allows for 2.75%. Can you give us an overview? I think you will find that even with supply management we are more open traders than most around the world. I wonder if either Jacques or Bob could speak to that.

**Mr. Bob Friesen:** Thank you, Mr. Easter.

Some of it may have been touched on, but when it comes to market access improvement there are many different ways to improve market access, and eliminating tariff escalation is one. But you're right, there are times when TRQs are better than a gratuitous reduction in tariffs.

I can recall meeting with the high commissioner from India and him telling us he didn't want to reduce his tariffs very much. Then we said, how about you give us a TRQ with no in-quota tariffs? Can you imagine the market access we would get to India on some of the export products where we now have to pay a very high tariff? So, yes, we believe TRQs should be negotiated to come to a common end.

We believe those countries that did not live up to the spirit of the Uruguay Round should be committed to moving there. Supply management was an example coming out of the Uruguay Round when it came to offering transparent market access. In fact, our government's position to date has been that they are also prepared to go to zero in-quota tariffs. In-quota tariffs have really served to erect some very serious access issues as well.

To some extent, supply management has been more of a free trader than many of the other countries have been with their TRQs. I believe we need to be fairly specific on what gives us market access—is it a tariff reduction, a TRQ, etc.?—and make sure we negotiate the best deal we can for exporters and supply management.

**The Chair:** Thank you.

Mr. Easter, your time is up, but Mr. McCreery has indicated he'd like to give a short response.

**Mr. Liam McCreery:** Thank you, Mr. Chair.

Hello, Mr. Easter, how are you today?

•(1655)

**Hon. Wayne Easter:** I'm great, thanks.

**Mr. Liam McCreery:** That's awesome.

Let's just remind ourselves that on grains and oilseeds products, the products I produce, the tariff for products coming in is zero. We compete on that and we compete against subsidized product. When you talk about competing in a free way, look to the grains and oilseeds sector. We're doing it right now.

Let's be clear about what we're talking about at the WTO. There's been a lot of talk about who's isolated and who's not isolated. Let's make it absolutely clear to everybody in the room: on over-quota tariff rates, every country in the WTO has said there will be reductions, except for Canada. That, by definition, is absolutely isolating.

As far as TRQs being a way to open up markets, I think of our friends in Japan again. They have a TRQ in beef that's less than 10%, but they import close to half their beef. They could increase their TRQ and still not have any new access to the markets.

Clearly, the rest of the world has embraced all tariffs coming down. It's a question of how fast they come down, and there are two trains of thought. One is the general tariff reduction and one is the sensitive product tariff reduction. The rest of the world agrees to that; Canada is isolated and does not.

**The Chair:** Thank you, Mr. McCreery.

To Monsieur Plamondon now for five minutes.

[*Translation*]

**Mr. Louis Plamondon (Bas-Richelieu—Nicolet—Bécancour, BQ):** My question is also about supply management.

Here is a brief history. On November 22, a motion was presented by the Bloc Québécois and unanimously adopted by the House of Commons. This motion contained a mandate, which was spelled out in three very clear paragraphs, for the chief negotiator at the WTO negotiations. During the election campaign, two or three debates were held on agriculture, including a major national debate, and every party clearly came out in favour of maintaining supply management and the fact that it was sacred.

Then, a week before or immediately following the election, Canada's chief WTO negotiator said that he did not feel bound by the unanimous decision of the House of Commons, which had determined that supply management was sacred. Who's in charge? The negotiator or the government? It was very surprising.

When the House returned, questions were asked, and last week, the minister said that he did not really support supply management, stating that Canada was only one out of 174 countries, that we could not always win and that we sometimes had to give a little.

When that happened, the Bloc Québécois contacted almost every agricultural association, at least in Quebec. Two days later, the minister was asked the same question and he replied that the government would protect and defend supply management, that his party had defended it in the past and that it would continue to do so. So the minister came back to his good intentions.

Do you get the impression that when Canada is sitting at the WTO table to negotiate, that it really defends supply management? And, in particular, does it explain what supply management is to other countries? I asked representatives from other countries whether they understood supply management in Canada, and they replied that it was similar to what exists in France. However, the two systems are completely different.

Officially, there is political will, but when we are at the negotiating table, it's a completely different story. Do you get the same impression? My question is a bit political.

**Mr. Jacques Laforge:** I think that it is a very political issue.

The negotiator's comments, which he made one week after the election, and which dealt with the motion adopted by the House of Commons, and what he said in January, were different because of the political situation.

The motion lays out very specific parameters which are to be used to reach an agreement. The government should take advantage of this motion to negotiate the best possible agreement in the circumstances.

I do not want to play politics. When we go to Geneva or to any other country to lobby, very few countries—only influential ones—are aware of how crucial supply management is to Canada.

We have to take political advantage of the situation to achieve the best results possible. That's not our responsibility. I don't want to throw the ball into the other party's court, but, in fact, it is up to the current government, through its negotiator, to reach that objective.

● (1700)

[English]

**The Chair:** Okay. Did anybody else want to answer that question? Mr. McCreery.

**Mr. Liam McCreery:** It is a very political question and a very political statement. I hope all the fine honourable members in the House step up to the plate for all producers in Canada and all the jobs associated with agriculture in Canada, and that we don't put ourselves in a position where we're not actively engaged in the negotiations.

**The Chair:** Thank you.

Mr. White, we still have about half a minute.

**Mr. Rick White:** Yes, just a very quick comment about the motion. We all realize what it says about over-quota tariffs, but there's also a component that talks about ensuring an agreement that strengthens the market access position of Canada's agricultural exporters as well. That tends to get brushed under the carpet at times. There are two components to that motion.

**The Chair:** Thank you very much.

Mr. Cannan is next, for five minutes.

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Chairman.

Thank you for your presentation and your answers; they were very informative.

I have a point for clarification first, for Mr. McCreery.

You mentioned that the U.S. is spending \$15 billion a year on subsidies. What are the subsidies of the EU?

**Mr. Liam McCreery:** I bet Bob Friesen knows. Isn't the amount about €66 billion or something like that—€71 billion?

**Mr. Bob Friesen:** It's a lot higher than the U.S.

**Mr. Liam McCreery:** As well, the support I'm talking about from the U.S. is amber. That is the most distorting.

Let's be clear. Bob makes an excellent point in talking about the need in these negotiations to tighten criteria around the green box spending, to make darned sure that people can't simply shift boxes and continue to distort markets.

To answer your question, the European subsidies are much higher.

**Mr. Ron Cannan:** Are the \$15 billion and €66 billion subsidies ongoing? Can you see just keeping it up forever?

**Mr. Liam McCreery:** They're both playing by the rules we've agreed to. I hope they won't keep doing it and I hope the reason they stop is that we have a successful conclusion to Doha that says they can't keep doing that to us.

**Mr. Ron Cannan:** I come from the southern interior of British Columbia. In my constituency of Kelowna—Lake Country is the Okanagan Valley, which is vineyards and a lot of tree fruit. The tree fruit industry is really hurting, especially the apple industry. I am wondering if anybody has any perspectives on the WTO and how that will affect the tree fruit industry.

**Mr. Bob Friesen:** I'll talk about the EU spending again. The problem with the EU is that some time ago they moved 60% of their amber spending into green box spending. They consider that to be a reduction in domestic support; they are just flowing it in a different way that is defined as being non-trade distorting. They really haven't solved the problem.

As far as the tree fruit industry is concerned, the biggest concern we hear from the horticultural producers is that their industry is being threatened by imports from countries that haven't spent the same amount of money on environmentally sustainable programs and on farm food safety programs. Certainly producers in B.C. have done that, and they feel that the same standards we have imposed upon our own producers here at home should also apply to imports.

**Mr. Ron Cannan:** I've heard similar complaints. Even yesterday, when I was at the airport in Vancouver, they had New Zealand apples—right in our own backyard.

**The Chair:** Thank you, Mr. Cannan.

Mr. McCreery would like to answer that as well.

**Mr. Liam McCreery:** I have just a comment, sir. It's very interesting that you mentioned the wine industry, because they were all doom and gloom when CUSTA and NAFTA came in. They said they would not survive, and now they are the poster child for industry adaptation to free trade. They're now much stronger and better than they were 20 years ago.

**Mr. Ron Cannan:** I've had several discussions with the provincial minister of agriculture. They're trying to develop a sustainable plan for the province on tree fruit, using the vineyards and the grape growers as a model.



As far as the timeline, apparently we've missed this last talk. From your industry perspective, how long can we go on until there has to be some "fish or cut bait" in these negotiations?

• (1705)

**Mr. Liam McCreery:** I don't think we can ever give up on the WTO. I hope Canada does become a leader in making sure it stays on the rails. In this set of negotiations, I see a lot of trouble if we're not able to make some progress by July 31, but there's no alternative to the WTO for going after those subsidies, so I hope we can have progress. I don't see another game in town to attempt to go after them. If we're not successful in making some progress by July 31, we're going to soldier on.

**Mr. Bob Friesen:** We definitely think that patience should prevail. Rather than making hasty decisions in trying to meet a deadline, they should take their time and make sure it's a good deal that does in fact create fair and equitable trade rules.

**The Chair:** There is half a minute for another question.

Mr. Menzies.

**Mr. Ted Menzies:** We reached somewhat of an agreement in Hong Kong about an end to export subsidies by 2013. It will be interesting. We've been working at this since 1968 or 1964, and we have finally got an end date that isn't too far away.

In my sense, domestic support that we see in the United States, the European Union, and other countries is far more destructive than export subsidies are. In 2013 we're not going to see the sun rise and see a great change because of the elimination of export subsidies. How do we get rid of the domestic support?

**Mr. Bob Friesen:** I couldn't agree with you more. In fact, a while ago, one of our officials said we shouldn't give up too much for someone saying we'll eliminate export subsidies, because they were headed in that direction anyway. You're absolutely right that some of the money the U.S. flowed, at the end of the day, ended up being export subsidies, simply by the amount of money they were flowing, and because our borders were largely open and with integrated industries.

Regarding domestic support, I believe someone made the comment earlier that we seem to focus on certain areas of the negotiation and sometimes tend to forget about domestic support. We believe it's extremely important. We believe it's a market access and lack of competitive policy issue, when it comes to Canada and the U.S.—and anything we can do to make them move....

There again, if we can prevent them from moving money around the way the EU has already done, that would be great. As well, it would create some sort of equity with commodity-specific caps.

**The Chair:** Thank you, Mr. Cannan.

Mr. McCreery, do you want to give a response as well?

**Mr. Liam McCreery:** It's an easy answer, Ted. The only way to go after subsidies is through the WTO. We tried to launch the round in 1999. We eventually did launch it in 2001. The Uruguay Round was signed 10 years ago. We've been at it a long time. It's time to make some decisions and soldier on.

**The Chair:** To Mr. Easter, for five minutes.

**Hon. Wayne Easter:** Thanks, Mr. Chair.

I have two questions to start with.

Liam, you indicated that you don't think we can ever give up on the WTO, and I would agree. But while we're going through all these belaboured discussions, which seem to go on forever, do you not think it's time we also start to be more aggressive in terms of bilateral discussions? We are losing markets to the U.S. Because we are putting so much emphasis on the WTO, we're losing ground by way of the bilaterals. That's question number one.

This is question number two. With support from the industry, except for the Canadian Agri-Food Trade Alliance, Liam, we've had a balanced position for a number of years: increasing market access, eliminating export subsidies, and reducing domestic support, while at the same time supporting supply management and state trading enterprises.

I know that you and I disagree on this, and you can tell me if I'm wrong, but I believe that CAFTA's position led the western premiers to the news release they put out last week, which was basically going after the federal government, for what they called an "intransigent stance" that could lead to the failure at the end of 2006. I seriously think that the position the western premiers took puts Canada in a much weaker negotiating position at the WTO, because it makes us look divided when we had to be united. The country was massively united behind the balanced position, and now I think we look weaker at the WTO.

The fact of the matter is we haven't been intransigent on supply management. We have gone to a sensitive products category, we've opened up other areas, and we're willing to remain firm on the other three principles.

So I'd like whoever can give me a comment to answer: what's the impact of the premiers' statement, and where should the government go from here? And come back to the first question as well.

• (1710)

**The Chair:** Mr. McCreery, then Mr. Shauf.

**Mr. Liam McCreery:** Thank you, Mr. Chair. I think it's very interesting that Mr. Easter said he was going to ask two questions, and I think I have seven.

Anyway, on bilateral and regional agreements, I hope Canada aggressively goes after bilaterals and regionals, and I hope this committee recommends that they do and recommends that they have all the support, all the money they need to get it done, that it doesn't take away from WTO negotiations. We would make sure we have the people power to get the job done and the money to get the job done.

Again, bilaterals and regionals—you were out of the room when I said this the first time, Mr. Easter. They have been notoriously weak at, one, going after subsidies, and two, traditionally, Canada has left agriculture off the table when we were trying to enter into bilateral and regional agreements.

So, yes, go after them, try to open up some markets for us, but recognize it's not a tool for going after subsidies, both the domestic and the export.

What is Canada's position at the WTO? In 2001, in the Doha Round, Canada supported the Doha mandate, and we supported the Canadian government in supporting the Doha mandate. In July 2004, Minister Mitchell and Minister Peterson, on behalf of the Government of Canada, supported the July framework in Geneva, and we supported them in that. So when you say that we're absolutely offside, we've supported the government in going after the three pillars in the Doha mandate.

You say the country is massively united. Well, I don't know that it is. I think there are people with different interests, and that's fine in a democracy. Clearly, CAFTA puts forward what it needs for its constituents. Clearly, we're getting bashed by obscene subsidies and tariffs, and I think it's absolutely correct, right, just of us to stand up and say what's happening in the world stage at the WTO is simply unfair to us and we're going to continue to push the Government of Canada to help address it.

What were your other questions?

**Hon. Wayne Easter:** I have no problem with that, but I think in fact we would agree with what you just said, with the exception I think of what's happening out there, with some of the comments coming from CAFTA and some of the pressure. The premiers' statement gets into commodity disputes and regional disputes when I do believe we can go forward with the balanced position and win. We do not need to compromise, especially in response to the earlier questions I raised. When we are in fact importing, even in our supply management industries, more product than other countries in the world, we do not need to compromise them further in order to achieve our three points at the WTO.

**The Chair:** Your time was up long ago.

There are two people who want to give short answers: Mr. Shauf and Mr. White.

**Mr. Marvin Shauf:** Thank you. It seems to me that domestic support is the basis for a lot of the problems. If you look back to where domestic support was first provided, it was to create food self-sufficiency. Then it over-produced that, and then it put export subsidies in place. Countries that couldn't provide it put in place barriers so that they didn't have to accept subsidized product. That has been the history of it in over-simplified terms.

Going ahead, if we just look at bilaterals, bilaterals tend to exclude dealing with domestic support in any.... So if we just step over the fundamental reason that a lot of these trade problems exist and deal with the market access, we're treating a symptom. Treating a symptom has never worked very well if you ignore the real cause of the problem. And coming back to Ted's question as well, the real issue is whether or not we're capable of rationalizing domestic support.

The grains and oilseeds industry is competing on an international front with all of those domestic subsidies. The fact of the matter is we're dying on our feet doing it. We're dying on our feet as a country because we're allowing the value of our Canadian agriculture to be siphoned off, to be able to expand in other jurisdictions because we

haven't dealt with that. To pretend that it's going to be dealt with by just dealing with subsets of it, or by dealing with it on an historic basis and institutionalizing the differences, is to say that we can continue to live in that regime. And we can't do that. We need to be very real in what we're talking about. We need to have real solutions, not just philosophy and optical illusion.

• (1715)

**The Chair:** Thank you.

Mr. White.

**Mr. Rick White:** Thank you for the questions, Wayne. Liam followed up very nicely on the bilateral focus, and we fully support that. It's not a forum where you can get at the subsidies, but you can maybe do some market access issues.

On the market access issues, I want to quickly respond to Mr. Menzies' previous comment about the domestic support being the biggest distortion out there. Our numbers are showing that market access hurts us just as much. It's \$1.3 billion on domestic support, but it's still \$1.2 billion on market access that's kicking us here. So let's not forget about that. One is bad and the other is just as bad.

In terms of your second point on the western premiers' comment, it's not only CAFTA. I mean, the western premiers are listening to their constituents out there, and 91% of them are reliant on the export market. They are listening to what we have to say as exporters and they believe there is tremendous opportunity for us exporters. So it's not about CAFTA convincing the provincial premiers. It's not about CCGA convincing the western premiers. They know who their constituents are. They have talked to everybody in their provinces and they've come to the same conclusion, that they as provinces rely heavily on export markets.

**The Chair:** Thank you very much. We've agreed to bring some motions forward and deal with them now.

I would therefore like to thank you all, gentlemen, for an excellent meeting. There were some really good answers to some extremely important questions. I'm sure we'll be discussing these more in the future. I hope we're seeing a successful...progress, at least, in the WTO talks at that time. Thank you very much.

We'll break for a minute and then go to the motions.

• (1715)

(Pause)

• (1720)

**The Chair:** Could we have everyone return to their seats, please? We want to get on with the motions.

We have two motions, on one of which 48 hours' notice has been given. For that motion to be brought forth to committee, it has to be brought forth by the mover, who isn't here today. So it will require unanimous consent of the committee to have this motion brought forth by Monsieur Plamondon, who was not the mover of the motion.

Does the member have unanimous consent to move forward, or shall we wait for the—

**Hon. Dominic LeBlanc:** Mr. Chairman, may I speak on it for a second?

**The Chair:** Mr. LeBlanc.

**Hon. Dominic LeBlanc:** Mr. Chairman, Mr. Paquette is in the House and it was his motion. You will remember, and colleagues will remember, that we were hoping—and it was your plan, Mr. Chairman—to deal with both at the last meeting, but we ran out of time.

At that point, Mr. Paquette agreed to have it dealt with today, but the intention was to deal with those two in tandem. You had begun to deal with those two last week, together, but some people talked and we ran out of time. That's fine. I would hope that colleagues.... This can't be a surprise, otherwise we'll start with this Wednesday morning. It's not going to make a difference.

Without presuming to vote, I would suspect that this motion from the Bloc Québécois is going to pass. I am thinking of our researchers and others who will want to have time to prepare, if this committee plans to try to do a report in the next 10 days. Rather than delay it until Wednesday morning, I think if the research staff knew that it was the intention of this committee, it might give everybody a bit of time. It can hardly be a surprise.

Since Monsieur Paquette is at the House, and if people refuse consent, then we'll deal with it first thing Wednesday.

**The Chair:** You have all heard the comment. Again, I'll ask if there is unanimous consent for Monsieur Plamondon to present Mr. Paquette's motion here today, or shall we deal with it on Wednesday? Is there unanimous consent?

No. We will deal with it on Wednesday, then.

**Hon. Dominic LeBlanc:** Mr. Chairman, may I ask that it be dealt with as the first item of business on Wednesday?

[*Translation*]

**Mr. Guy André:** I think we should deal with it on Wednesday. We wanted to table the motion during the previous session. But as my colleague said, we discussed it, but we did not deal with it because we ran out of time. Today, we are delaying it until Wednesday. I think that we should deal with this motion first thing Wednesday so that we can move the issue ahead.

[*English*]

**The Chair:** Again, gentlemen, I will assure you that if we deal with it... We were ready to go today, at 20 after. We adjourned the meeting to go and the mover of the motion wasn't here. If the mover of the motion is here at the meeting on Wednesday, we can deal with it after the witnesses on Wednesday. We have witnesses, again, on Wednesday, and I certainly don't want it to become a habit of this committee to hold up the witnesses to deal with motions.

On the other hand, again, we did allow the time today. The mover wasn't here. That's the issue.

So on Wednesday, at 20 after, I will assure you that we will adjourn the meeting and we'll have ample time to deal with the motions.

Is it agreed?

**Some hon. members:** Agreed.

**The Chair:** The meeting is adjourned.

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